

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Spaulding Township	County Saginaw
Audit Date 3/31/05	Opinion Date 5/17/05	Date Accountant Report Submitted to State: 8-2-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

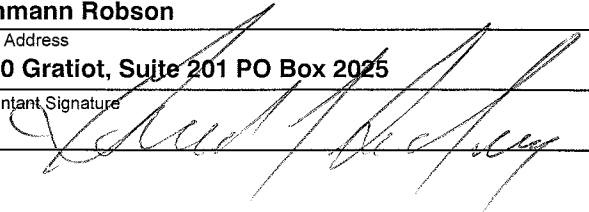
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

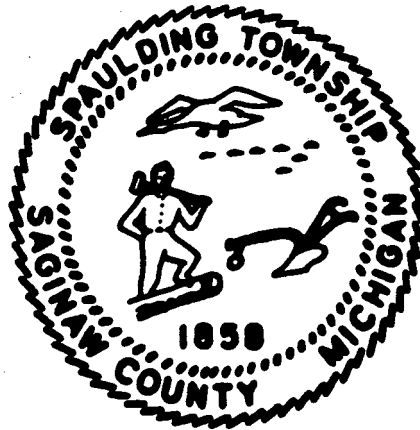
You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5800 Gratiot, Suite 201 PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date 8-2-05



Spaulding Township

Saginaw County, Michigan

Financial Statements

For the Year Ended March 31, 2005

SPAULDING TOWNSHIP

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SPAULDING TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

May 17, 2005

To the Township Board
Spaulding Township
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Spaulding Township***, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Spaulding Township's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of ***Spaulding Township***, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General Fund, Police Fund and Cass River Dyke Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note IV. C., the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments, as amended and interpreted, as of April 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2005, on our consideration of ***Spaulding Township's*** internal control over financial reporting and on

our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-8, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Spaulding Township's*** basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

Management's Discussion and Analysis

As management of *Spaulding Township, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*government activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works and parks and recreation. The business-type activities of the Township include sewer and water operations.

The government-wide financial statements can be found on pages 9-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement's focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, police, and Cass River dike, each of which are considered to be major funds. Data from the two other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-18 of this report.

Proprietary funds. The Township maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township used enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-36 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the accompanying notes. Combining and individual fund statements and schedules can be found on pages 37-47 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As show on the following chart, the Township's assets exceeded liabilities by \$3,017,086 at the end of the fiscal year.

The net assets are separated into two major components; invested in capital assets (e.g., buildings, equipment and vehicles), which amounted to \$1,562,636 or 53% of net assets and unrestricted net assets of \$1,454,450 or 47% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

(Because this is the first year of implementation of Governmental Accounting Standard Board No. 34 which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of Spaulding Township's data will be presented.)

Spaulding Township's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 529,775	\$ 983,269	\$ 1,513,044
Capital Assets	572,928	1,681,701	2,254,629
Total assets	1,102,703	2,664,970	3,767,673
Long-term liabilities	-	645,000	645,000
Other liabilities	58,358	53,229	111,587
Total liabilities	58,358	698,229	756,587
Net Assets			
Invested in capital assets, net of related debt	552,935	1,009,701	1,562,636
Unrestricted	497,410	957,040	1,454,450
Total net assets	\$ 1,050,345	\$ 1,966,741	\$ 3,017,086

When comparing this fiscal year to the previous year, net assets have decreased by \$49,205. This decrease is attributed primarily to the decrease in the Township's portion of state revenue sharing.

Spaulding Township's Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenue:			
Charges for services	\$ 89,558	\$ 332,653	\$ 422,211
Operating grants and contributions	197,908	-	197,908
General revenues:			
Property taxes	230,721	27,442	258,163
Unrestricted investment earnings	5,769	4,817	10,586
Miscellaneous general revenues	16,105	4,212	20,317
Total revenues	<u>540,061</u>	<u>369,124</u>	<u>909,185</u>
Expenses:			
Legislative	54,648	-	54,648
General government	213,699	-	213,699
Public safety	139,712	-	139,712
Public works	145,205	-	145,205
Culture and recreation	18,058	-	18,058
Interest on debt	2,664	-	2,664
Water/Sewer District 1	-	227,811	227,811
Water District 2	-	156,593	156,593
Total expenses	<u>573,986</u>	<u>384,404</u>	<u>958,390</u>
Decrease in net assets	(33,925)	(15,280)	(49,205)
Net assets, beginning of year, restated	<u>1,084,270</u>	<u>1,982,021</u>	<u>3,066,291</u>
Net assets, end of year	<u>\$ 1,050,345</u>	<u>\$ 1,966,741</u>	<u>\$ 3,017,086</u>

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$424,037. Of this total amount 87.6% (\$371,477) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining fund balance consists of unreserved-designated fund balance, which has been designated for specific purposes in the following fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$283,444, while total fund balance was \$314,279. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 60% of total general fund expenditures and transfers out.

The fund balance of the Township's general fund decreased \$20,327 in the current year. This decrease is primarily attributed to the decrease in state revenue sharing.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor and the adjustments were made as a part of the Township's budget procedures to address changes in activity during the year.

Budget to actual comparisons for the Township's general fund were generally favorable

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounted to \$2,260,629 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment and vehicles.

**Spaulding Township's
Capital assets (net of depreciation)**

	Governmental Activities	Business-type Activities	Total
Land	\$ 53,131	\$ 500	\$ 53,631
Construction in progress	-	40,396	40,396
Buildings	347,888	16,539	364,427
Equipment	53,159	14,382	67,541
Vehicles	124,750	-	124,750
Mains	-	1,609,884	1,609,884
Total	\$ 578,928	\$ 1,681,701	\$ 2,260,629

Additional information on the Township's capital assets can be found in note III C on pages 30-32 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total bonded debt outstanding of \$697,993. Additional information on the Township's long-term debt can be found in note III E on page 33 of this report.

Request for information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township Treasurer, 5025 East Road, Saginaw, Michigan 48601.

SPAULDING TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 371,329	\$ 290,174	\$ 661,503
Investments	4,000	130,000	134,000
Accounts receivable	135,014	552,926	687,940
Internal balances	14,254	(14,254)	-
Prepaid items and other assets	-	18,964	18,964
Inventory	-	4,442	4,442
Restricted cash	5,178	1,017	6,195
Capital assets, net:			
Assets not being depreciated	53,131	40,896	94,027
Assets being depreciated	525,797	1,640,805	2,166,602
Total assets	1,108,703	2,664,970	3,773,673
Liabilities			
Accounts payable	15,636	19,997	35,633
Accrued liabilities	16,729	6,232	22,961
Noncurrent liabilities:			
Due within one year	25,993	27,000	52,993
Due in more than one year	-	645,000	645,000
Total liabilities	58,358	698,229	756,587
Net Assets			
Invested in capital assets, net of related debt	552,935	1,009,701	1,562,636
Unrestricted	497,410	957,040	1,454,450
Total net assets	\$ 1,050,345	\$ 1,966,741	\$ 3,017,086

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
Legislative	\$ 54,648	\$ -	\$ -	\$ (54,648)
General government	213,699	85,936	184,787	57,024
Public safety	139,712	3,622	13,121	(122,969)
Public works	145,205	-	-	(145,205)
Recreation and culture	18,058	-	-	(18,058)
Interest on debt	2,664	-	-	(2,664)
Total governmental activities	<u>573,986</u>	<u>89,558</u>	<u>197,908</u>	<u>(286,520)</u>
Business-type activities:				
Water/Sewer District 1	227,811	185,976	-	(41,835)
Water District 2	156,593	146,677	-	(9,916)
Total business-type activities	<u>384,404</u>	<u>332,653</u>	<u>-</u>	<u>(51,751)</u>
Total primary government	<u>\$ 958,390</u>	<u>\$ 422,211</u>	<u>\$ 197,908</u>	<u>\$ (338,271)</u>

continued...

SPAULDING TOWNSHIP
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (286,520)	\$ (51,751)	\$ (338,271)
General revenues:			
Property taxes	230,721	27,442	258,163
Unrestricted investment earnings	5,769	4,817	10,586
Miscellaneous general revenues	16,105	4,212	20,317
Total general revenues	252,595	36,471	289,066
Change in net assets	(33,925)	(15,280)	(49,205)
Net assets, beginning of year, as restated	1,084,270	1,982,021	3,066,291
Net assets, end of year	\$ 1,050,345	\$ 1,966,741	\$ 3,017,086

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

	GENERAL	POLICE	CASS RIVER DIKE
<u>ASSETS</u>			
Cash and cash equivalents	\$ 272,766	\$ 9,215	\$ 44,411
Investments	-	-	-
Taxes receivable - delinquent	4,915	3,202	-
Special assessments receivable - current	18,459	-	3,176
Special assessments receivable - long term	-	-	73,373
Accounts receivable - other	839	25	82
Due from other funds	14,254	-	-
Due from State	27,058	-	-
Restricted assets - cash	5,178	-	-
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 343,469</u>	<u>\$ 12,442</u>	<u>\$ 121,042</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accounts payable	\$ 10,365	\$ -	\$ -
Accrued liabilities	13,554	2,587	-
Deferred revenue	-	-	73,373
Customer advance deposits	5,271	-	-
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	29,190	2,587	73,373
FUND EQUITY			
Fund Balances:			
Designated for subsequent years' expenditures	30,835	8,200	-
Unreserved - undesignated:			
General fund	283,444	-	-
Special revenue funds	-	1,655	47,669
	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	314,279	9,855	47,669
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 343,469</u>	<u>\$ 12,442</u>	<u>\$ 121,042</u>

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	44,937	\$ 371,329
	4,000	4,000
	3,167	11,284
	-	21,635
	-	73,373
	718	1,664
	-	14,254
	-	27,058
	-	5,178
<hr/>		
\$	52,822	\$ 529,775
<hr/>		

\$	-	\$ 10,365
	588	16,729
	-	73,373
	-	5,271
<hr/>		
	588	105,738
<hr/>		

	13,525	52,560
	-	283,444
	38,709	88,033
<hr/>		
	52,234	424,037
<hr/>		
\$	52,822	\$ 529,775
<hr/>		

SPAULDING TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Fund balances - total governmental funds	\$	424,037
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: Capital assets		864,820
subtract: Accumulated depreciation		(285,892)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred special assessments		73,373
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable		(25,993)
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Net assets of governmental activities	\$	1,050,345
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The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	GENERAL	POLICE	CASS RIVER DIKE
REVENUES			
Taxes	\$ 51,969	\$ 33,130	\$ -
Special assessments	127,424	-	20,624
Licenses and permits	51,350	-	-
Intergovernmental revenue:			
State grants	185,527	-	-
Local grants	-	-	-
Charges for services	2,572	-	-
Fines and forfeitures	78	-	-
Rent	14,077	-	-
Refunds and reimbursements	2,869	-	-
Interest	4,392	83	463
Other	16,105	77	-
TOTAL REVENUES	456,363	33,290	21,087
EXPENDITURES			
Legislative	54,648	-	-
General government	207,346	-	-
Recreation and culture	13,621	-	-
Public safety	-	72,340	-
Public works	134,174	-	11,031
Debt service	28,541	-	-
TOTAL EXPENDITURES	438,330	72,340	11,031
REVENUES OVER (UNDER) EXPENDITURES	18,033	(39,050)	10,056
OTHER FINANCING SOURCES (USES)			
Transfer in	-	37,168	435
Transfer (out)	(38,360)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(38,360)	37,168	435
NET CHANGE IN FUND BALANCES	(20,327)	(1,882)	10,491
FUND BALANCE, BEGINNING OF YEAR	334,606	11,737	37,178
FUND BALANCE, END OF YEAR	\$ 314,279	\$ 9,855	\$ 47,669

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS		TOTAL
\$	32,758	\$ 117,857
	-	148,048
	-	51,350
	-	185,527
	13,121	13,121
	-	2,572
	-	78
	-	14,077
	3,500	6,369
	831	5,769
	45	16,227
	50,255	560,995
	-	54,648
	-	207,346
	-	13,621
	50,434	122,774
	-	145,205
	-	28,541
	50,434	572,135
	(179)	(11,140)
	757	38,360
	-	(38,360)
	757	-
	578	(11,140)
	51,656	435,177
\$	52,234	\$ 424,037

SPAULDING TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Net change in fund balances - total governmental funds	\$ (11,140)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add: capital outlay	13,287
Subtract: depreciation expense	(30,490)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Subtract: change in special assessments	(20,934)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add: principal payments on long-term liabilities	25,877
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Subtract: loss on the disposal of capital assets	(10,525)
Change in net assets of governmental activities	<hr/> \$ (33,925) <hr/>

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 75,800	\$ 75,800	\$ 51,969	\$ (23,831)
Special assessments	136,000	135,000	127,424	(7,576)
Licenses and permits	51,030	51,030	51,350	320
Intergovernmental revenue:				
State grants	175,740	175,740	185,527	9,787
Charges for services	4,700	4,700	2,572	(2,128)
Fines and forfeits	30	30	78	48
Rent	11,500	11,500	14,077	2,577
Refunds and reimbursements	5,000	5,000	2,869	(2,131)
Interest	2,550	2,550	4,392	1,842
Other	8,000	8,000	16,105	8,105
TOTAL REVENUES	470,350	469,350	456,363	(12,987)
EXPENDITURES				
Legislative	70,300	68,400	54,648	13,752
General government	217,620	204,595	207,346	(2,751)
Recreation and culture	13,630	12,830	13,621	(791)
Public works	162,215	152,215	134,174	18,041
Debt service	27,000	27,000	28,541	(1,541)
TOTAL EXPENDITURES	490,765	465,040	438,330	26,710
REVENUES OVER (UNDER) EXPENDITURES	(20,415)	4,310	18,033	13,723
OTHER FINANCING SOURCES (USES)				
Transfer (out)	-	(30,000)	(38,360)	8,360
NET CHANGE IN FUND BALANCE	(20,415)	(25,690)	(20,327)	5,363
FUND BALANCE, BEGINNING OF YEAR	334,606	334,606	334,606	-
FUND BALANCE, END OF YEAR	\$ 314,191	\$ 308,916	\$ 314,279	\$ 5,363

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
POLICE FUND
FOR THE YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 33,000	\$ 33,300	\$ 33,130	\$ (170)
Interest	70	30	83	53
Other	80	50	77	27
TOTAL REVENUES	33,150	33,380	33,290	(90)
EXPENDITURES				
Salaries and wages	51,000	49,200	51,014	1,814
Fees and per diem	500	500	100	(400)
Fringe benefits	8,720	8,720	9,021	301
Operating supplies	250	250	491	241
Uniforms	500	500	448	(52)
Memberships and dues	250	250	200	(50)
Contractual services	300	300	336	36
Gas and oil	2,500	2,500	2,898	398
Repairs and maintenance	2,500	2,500	1,780	(720)
Education and training	500	500	429	(71)
Medical	4,700	4,700	4,801	101
Miscellaneous	100	100	25	(75)
Capital outlay	1,500	1,500	797	(703)
TOTAL EXPENDITURES	73,320	71,520	72,340	820
REVENUES OVER (UNDER) EXPENDITURES	(40,170)	(38,140)	(39,050)	(910)
OTHER FINANCING SOURCES (USES)				
Transfer in	32,600	30,000	37,168	7,168
NET CHANGE IN FUND BALANCE	(7,570)	(8,140)	(1,882)	6,258
FUND BALANCE, BEGINNING OF YEAR	11,737	11,737	11,737	-
FUND BALANCE, END OF YEAR	\$ 4,167	\$ 3,597	\$ 9,855	\$ 6,258

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CASS RIVER DIKE FUND
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Special assessments	\$ 22,500	\$ 21,000	\$ 20,624	\$ (376)
Interest	450	300	463	163
TOTAL REVENUES	22,950	21,300	21,087	(213)
EXPENDITURES				
Fees and per diem	4,380	3,660	3,595	(65)
Operating supplies	-	-	38	38
Professional services	4,000	4,000	900	(3,100)
Contractual services	-	-	6,498	6,498
TOTAL EXPENDITURES	8,380	7,660	11,031	3,371
REVENUES OVER (UNDER) EXPENDITURES	14,570	13,640	10,056	(3,584)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	435	435
NET CHANGE IN FUND BALANCE	14,570	13,640	10,491	(3,149)
FUND BALANCE, BEGINNING OF YEAR	37,178	37,178	37,178	-
FUND BALANCE, END OF YEAR	\$ 51,748	\$ 50,818	\$ 47,669	\$ (3,149)

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2005**

	ENTERPRISE		
	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 250,459	\$ 39,715	\$ 290,174
Cash at the County	38	979	1,017
Investments	45,000	85,000	130,000
Special assessment receivable - delinquent	11,204	2,177	13,381
Accounts receivable - water billings	31,026	27,361	58,387
Accounts receivable - other	182	344	526
Inventory - supplies	2,221	2,221	4,442
Prepaid items - bond payment	-	18,964	18,964
TOTAL CURRENT ASSETS	340,130	176,761	516,891
LONG-TERM ASSETS			
Special assessments receivable	430,232	50,400	480,632
CAPITAL ASSETS			
Land	-	500	500
Construction in progress	-	40,396	40,396
Property, plant and equipment	1,345,916	1,158,350	2,504,266
Less accumulated depreciation	(308,083)	(555,378)	(863,461)
<u>TOTAL ASSETS</u>	<u>1,808,195</u>	<u>871,029</u>	<u>2,679,224</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Accounts payable	16,027	3,970	19,997
Accrued liabilities	3,116	3,116	6,232
Due to other funds	-	14,254	14,254
Current portion of contracts payable	12,000	15,000	27,000
TOTAL CURRENT LIABILITIES	31,143	36,340	67,483
LONG-TERM LIABILITIES			
Contracts payable	525,000	120,000	645,000
TOTAL LIABILITIES	556,143	156,340	712,483
NET ASSETS			
Investment in capital assets, net of related debt	500,833	508,868	1,009,701
Unrestricted	751,219	205,821	957,040
<u>TOTAL NET ASSETS</u>	<u>\$ 1,252,052</u>	<u>\$ 714,689</u>	<u>\$ 1,966,741</u>

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

	ENTERPRISE		
	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
OPERATING REVENUES			
Service charges	\$ 176,729	\$ 113,128	\$ 289,857
Penalties	3,604	1,841	5,445
Connection fees	2,253	3,100	5,353
Hydrant rentals	3,390	5,270	8,660
Miscellaneous	3,036	24,514	27,550
TOTAL OPERATING REVENUES	189,012	147,853	336,865
OPERATING EXPENSES			
Salaries and wages	43,835	40,957	84,792
Office supplies	1,365	1,528	2,893
Operating supplies	2,138	4,915	7,053
Telephone and communication	274	273	547
Contractual services	3,704	4,229	7,933
Audit	2,530	1,615	4,145
Purchased water	110,102	49,184	159,286
Repairs and maintenance	5,395	4,433	9,828
Office rental	2,000	2,000	4,000
Miscellaneous	1,246	1,568	2,814
Depreciation	30,787	37,551	68,338
TOTAL OPERATING EXPENSES	203,376	148,253	351,629
OPERATING (LOSS)	(14,364)	(400)	(14,764)
NON-OPERATING REVENUES (EXPENSES)			
Special assessments	24,182	3,260	27,442
Interest income	2,937	1,880	4,817
Interest expense	(24,435)	(7,710)	(32,145)
Agent fees	-	(630)	(630)
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,684	(3,200)	(516)
CHANGE IN NET ASSETS	(11,680)	(3,600)	(15,280)
NET ASSETS, BEGINNING OF YEAR	1,263,732	718,289	1,982,021
NET ASSETS, END OF YEAR	\$ 1,252,052	\$ 714,689	\$ 1,966,741

The accompanying notes are an integral part of these financial statements.

**SPAULDING TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005**

	ENTERPRISE		
	WATER/SEWER DISTRICT 1	WATER DISTRICT 2	TOTAL
Cash flows from operating activities			
Cash received from customers	\$ 209,750	\$ 155,071	\$ 364,821
Cash payments to employees	(43,015)	(40,137)	(83,152)
Cash payments to suppliers for goods and services	(116,944)	(69,564)	(186,508)
Net cash provided (used) by operating activities	49,791	45,370	95,161
Cash flows from capital and related financing activities			
Special assessments	24,182	3,260	27,442
Principal paid on bonds	(12,000)	(15,000)	(27,000)
Interest paid on bonds	(24,435)	(7,710)	(32,145)
Agent fees paid on bonds	-	(630)	(630)
Acquisition and construction of capital assets	-	(40,396)	(40,396)
Net cash provided (used) by capital and related financing activities	(12,253)	(60,476)	(72,729)
Cash flows from investing activities			
Interest received	2,937	1,880	4,817
Purchase of investments	(45,000)	(85,000)	(130,000)
Net increase (decrease) in cash and cash equivalents	(42,063)	(83,120)	(125,183)
Cash and cash equivalents, beginning of year	255,022	138,920	393,942
Cash and cash equivalents, end of year	\$ 250,497	\$ 40,694	\$ 291,191
Non-cash investing, capital and financing transactions			
All dividends and interest income were immediately reinvested in the cash management funds.			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (14,364)	\$ (400)	\$ (14,764)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	30,787	37,551	68,338
Changes in assets and liabilities which increase (decrease) cash:			
Receivables	20,738	7,218	27,956
Inventories	(65)	(65)	(130)
Prepaid cost and other assets	-	382	382
Accounts payable	11,875	(136)	11,739
Accrued and other liabilities	820	820	1,640
Net cash provided (used) by operating activities	\$ 49,791	\$ 45,370	\$ 95,161

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

<u>ASSETS</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 5,454
	<u>5,454</u>
<u>LIABILITIES</u>	
LIABILITIES	
Accrued liabilities	\$ 5,444
Due to governmental units	10
	<u>5,454</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 5,454</u>

The accompanying notes are an integral part of these financial statements.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Spaulding Township (the “Township”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

A. REPORTING ENTITY

The Township has determined that no entities should be consolidated into its financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the Township. Therefore, the reporting entity consists only of the primary government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements; the agency funds use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *police fund* accounts for the collection of a separate tax millage that is used to fund the operations of the Township police department.

The *cass river dike fund* accounts for the collection of special assessments that is used to maintain the dike on the cass river boundary.

The government reports the following major proprietary funds:

The *water / sewer district 1 fund* accounts for the activities of the government's water distribution and sewage disposal and treatment system for district 1.

The *water district 2 fund* accounts for the activities of the government's water distribution and treatment system for district 2.

Additionally, the Township reports the following fund types:

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water / sewer district 1 and water district 2 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of operation and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Investments are stated at fair value.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

2. RECEIVABLES AND PAYABLES

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. INVENTORY AND PREPAIDS

Inventory maintained by the Enterprise Funds are valued at cost using the first-in, first-out method. Inventory of expendable supplies in other funds has not been recorded and any amount of any such inventory is not considered material. The cost value of such inventory was recorded as an expenditure at the time of purchase.

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. RESTRICTED ASSETS

Restricted assets are assets that have been set aside for future purposes in the General Fund and water / sewer district 1 and water district 2 funds.

5. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Buildings	30-75 years
Equipment	5-20 years
Vehicles	4-20 years

6. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General Fund and Special Revenue Funds. The operating budget is adopted by activity for the General Fund and by function for the Special Revenue funds. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Any revisions that alter the total expenditures of any fund must be approved by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township Board.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

The Township had funds with expenditures exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended March 31, 2005.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
GENERAL FUND			
General government			
Supervisor	\$ 13,735	\$ 13,765	\$ (30)
Elections	3,225	3,399	(174)
Treasurer	13,490	13,765	(275)
Township office	32,900	35,605	(2,705)
Planning and zoning	24,000	40,222	(16,222)
Cemetery	13,755	21,394	(7,639)
Recreation and culture			
Parks	12,830	13,621	(791)
Debt service	27,000	28,541	(1,541)
Transfers out	30,000	38,360	(8,360)
POLICE FUND			
Public Safety	71,520	72,340	(820)
CASS RIVER DIKE FUND			
Public Works	7,660	11,031	(3,371)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 661,503
Investments	134,000
Restricted cash	6,195
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>5,454</u>
Total	<u>\$ 807,152</u>
Notes to Financial Statements:	
Deposits	\$ 800,142
Cash at County	1,017
Investments	5,893
Cash on hand	<u>100</u>
Total	<u>\$ 807,152</u>

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Deposits - At March 31, 2005, the carrying amount of the Township's deposits was \$800,142 and the bank balance was \$807,305. Of the bank balance, \$200,000 was covered by Federal Depository Insurance and \$607,305 was neither insured nor collateralized. The insured amount of the cash at county is undeterminable since it is pooled with other cash balances from various local municipalities.

Investments

The Township Treasurer is authorized by the Township Board to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ In banker's acceptances of United States banks.
- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

As of March 31, 2005, the Township's investments were considered uncategorized mutual funds which are not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value/ Carrying Amount</u>
Mutual funds	<u>\$ 5,893</u>

The Township's investments are in accordance with statutory authority.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. RECEIVABLES

Receivables in the primary government are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 11,284	\$ -
Accounts	1,664	58,913
Special assessments		
Due within one year	21,635	13,381
Due after one year	73,373	480,632
Intergovernmental	27,058	-
Total	<u>\$ 135,014</u>	<u>\$ 552,926</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Special assessments receivable (Cass River Dike Fund)	<u>\$ 73,373</u>

C. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	<u>\$ 53,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,131</u>
Capital assets being depreciated:				
Buildings	444,575	-	-	444,575
Equipment	85,508	13,287	(13,156)	85,639
Vehicles	<u>281,475</u>	<u>-</u>	<u>-</u>	<u>281,475</u>
Total capital assets being depreciated	<u>811,558</u>	<u>13,287</u>	<u>(13,156)</u>	<u>811,689</u>

Less accumulated depreciation

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Buildings	(89,577)	(7,110)	-	(96,687)
Equipment	(28,321)	(6,790)	2,631	(32,480)
Vehicles	<u>(140,135)</u>	<u>(16,590)</u>	<u>-</u>	<u>(156,725)</u>
Total accumulated depreciation	<u>(258,033)</u>	<u>(30,490)</u>	<u>2,631</u>	<u>(285,892)</u>
Total capital assets being depreciated, net	<u>553,525</u>	<u>(17,203)</u>	<u>(10,525)</u>	<u>525,797</u>
Governmental activities capital assets, net	<u>\$ 606,656</u>	<u>\$ (17,203)</u>	<u>\$ (10,525)</u>	<u>\$ 578,928</u>
Business-type activities				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 500	\$ -	\$ -	\$ 500
Construction in progress	<u>-</u>	<u>40,396</u>	<u>-</u>	<u>40,396</u>
Total capital assets not being depreciated	<u>500</u>	<u>40,396</u>	<u>-</u>	<u>40,896</u>
Capital assets being depreciated:				
Buildings	18,375	\$ -	\$ -	18,375
Mains	2,444,526	-	-	2,444,526
Equipment	<u>41,365</u>	<u>-</u>	<u>-</u>	<u>41,365</u>
Total capital assets being depreciated	<u>2,504,266</u>	<u>-</u>	<u>-</u>	<u>2,504,266</u>
Less accumulated depreciation				
Buildings	(1,377)	(459)	-	(1,836)
Mains	(770,668)	(63,974)	-	(834,642)
Equipment	<u>(23,078)</u>	<u>(3,905)</u>	<u>-</u>	<u>(26,983)</u>
Total accumulated depreciation	<u>(795,123)</u>	<u>(68,338)</u>	<u>-</u>	<u>(863,461)</u>
Total capital assets being depreciated, net	<u>1,709,143</u>	<u>(68,338)</u>	<u>-</u>	<u>1,640,805</u>
Business-type activities capital assets, net	<u>\$ 1,709,643</u>	<u>\$ (27,942)</u>	<u>\$ -</u>	<u>\$ 1,681,701</u>

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 9,115
Public safety	16,938
Recreation and culture	<u>4,437</u>

Total depreciation expense – governmental activities **\$ 30,490**

Business-type activities:

Water / Sewer District 1	\$ 30,787
Water District 2	<u>37,551</u>

Total depreciation expense – business-type activities **\$ 68,338**

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To	Due From
	Water District 2
General Fund	<u><u>\$ 14,254</u></u>

The balance is a result of a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers from	Transfers to				Total
	Police	Cass River Dike	Nonmajor Governmental Funds		
General Fund	\$ 37,168	\$ 435	\$ 757		\$ 38,360

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

E. LONG-TERM DEBT

Changes in long-term debt

Long term activity for the year ended March 31, 2005 was as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2005</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Installment Contracts					
Township complex – maturing through March 31, 2006, bearing interest of 6.0%	<u>\$ 51,870</u>	<u>\$ -</u>	<u>\$ (25,877)</u>	<u>\$ 25,993</u>	<u>\$ 25,993</u>
Balance	<u>April 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance March 31, 2004</u>	<u>Due Within One Year</u>
BUSINESS-TYPE ACTIVITIES					
Contracts payable					
Water District 2 extension, maturing through April 1, 2013 with interest of 2.4% to 2.9%.	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>	<u>\$ 135,000</u>	<u>\$ 15,000</u>
Sewer extension, maturing through June 1, 2030 with interest at 4.5%	<u>549,000</u>	<u>-</u>	<u>(12,000)</u>	<u>537,000</u>	<u>12,000</u>
Business-type activities					
Long-term liabilities	<u>\$ 699,000</u>	<u>\$ -</u>	<u>\$ (27,000)</u>	<u>\$ 672,000</u>	<u>\$ 27,000</u>

Contracts payable currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	6%	\$ 25,993
Business-type activities	2.4 – 4.5%	672,000

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity for contracts payable are as follows:

Year Ending March 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 25,993	\$ 1,386	\$ 27,000	\$ 30,833
2007	-	-	27,000	29,509
2008	-	-	28,000	28,155
2009	-	-	28,000	26,767
2010	-	-	28,000	25,365
2011-2015	-	-	137,000	104,985
2016-2020	-	-	96,000	78,885
2021-2025	-	-	120,000	54,675
2026-2030	-	-	148,000	24,660
2031	-	-	33,000	743
Total	<u>\$ 25,993</u>	<u>\$ 1,386</u>	<u>\$ 672,000</u>	<u>\$404,577</u>

IV. OTHER INFORMATION

A. DEFINED CONTRIBUTION BENEFIT PLAN

The Spaulding Township Group Pension Plan is a defined contribution pension plan established by the Township Board and administered by Manulife Financial, a third party, to provide benefits at retirement to eligible employees. The following persons are eligible to participate in the plan: Township Board Members, Water Supervisor, Township Secretary, Water Assistant Supervisor, Police Officer, Fire Chief and Hall Custodian. At March 31, 2005, all 12 eligible persons were plan members.

Employees are required to contribute 5% but have the option of contributing up to 100%. The Township is required to contribute 10% of the employee's base salary.

Contributions made by an employee vest immediately and contributions made by the Township vest after 2 years of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions if vesting requirements are satisfied, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the Township Board.

During the year, the Township's required and actual contributions amounted to \$18,681. Employees made contributions amounting to \$13,744 to the Plan.

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

B. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries.

Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

C. RESTATEMENTS

Implementation of new accounting standards

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Township was required to implement the new requirements no later than the current fiscal year ending March 31, 2005.

The more significant of the changes required by the new standards include:

- ◆ Management’s discussion and analysis;

SPAULDING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended March 31, 2005, the following restatements were made to beginning net assets:

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balance of general and special revenue funds as of 3/31/04	\$ 435,177
Add: governmental capital assets, including general fixed assets, as of 3/31/04	864,689
Deduct: accumulated depreciation as of 3/31/04 on above governmental fixed assets	(258,033)
Deduct: long-term debt as of 3/31/04	(51,870)
Add: deferred revenue related to long-term receivables earned but not collected as of 3/31/04	<u>94,307</u>
Governmental net assets, restated, as of 3/31/04	<u>\$ 1,084,270</u>

D. COMMITMENTS AND CONTINGENCIES

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

* * * * *

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
TAXES				
General property taxes	\$ 32,500	\$ 32,500	\$ 32,249	\$ (251)
Special assessments	136,000	135,000	127,424	(7,576)
Payment in lieu of taxes	27,000	27,000	5,470	(21,530)
Property tax administration fee	16,300	16,300	14,250	(2,050)
TOTAL TAXES	211,800	210,800	179,393	(31,407)
LICENSES AND PERMITS				
Building permits	6,600	6,600	10,016	3,416
Cable TV franchise	44,000	44,000	41,055	(2,945)
Miscellaneous licenses and permits	430	430	279	(151)
TOTAL LICENSES AND PERMITS	51,030	51,030	51,350	320
STATE GRANTS				
Sales tax	175,000	175,000	184,787	9,787
Liquor license	740	740	740	-
TOTAL STATE GRANTS	175,740	175,740	185,527	9,787
INTEREST ON INVESTMENTS	2,550	2,550	4,392	1,842
OTHER REVENUE				
Charges for services	4,700	4,700	2,572	(2,128)
Fines and forfeits	30	30	78	48
Rent	11,500	11,500	14,077	2,577
Refunds and reimbursements	5,000	5,000	2,869	(2,131)
Other	8,000	8,000	16,105	8,105
TOTAL OTHER REVENUE	29,230	29,230	35,701	6,471
TOTAL REVENUES	\$ 470,350	\$ 469,350	\$ 456,363	\$ (12,987)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
LEGISLATIVE				
Township Board:				
Fees and per diem	\$ 5,000	\$ 4,400	\$ 4,200	\$ (200)
Fringe benefits	8,200	8,200	7,340	(860)
Supplies	4,200	4,200	3,259	(941)
Memberships and dues	8,500	8,500	7,979	(521)
Insurance	33,700	33,700	25,843	(7,857)
Printing and publishing	200	200	140	(60)
Legal expense	2,500	2,500	673	(1,827)
Education and training	200	200	-	(200)
Audit	6,100	4,800	3,955	(845)
Miscellaneous	1,700	1,700	1,259	(441)
TOTAL LEGISLATIVE	70,300	68,400	54,648	(13,752)
GENERAL GOVERNMENT				
Supervisor:				
Salaries and wages	12,100	11,700	11,700	-
Fringe benefits	2,035	2,035	2,065	30
Total Supervisor	14,135	13,735	13,765	30
Elections:				
Fees and per diem	1,000	2,600	2,951	351
Operating supplies	275	275	420	145
Contractual services	350	350	28	(322)
Total Elections	1,625	3,225	3,399	174
Tax Administration:				
Operating supplies	500	100	663	563
Postage	2,500	2,500	1,117	(1,383)
Contractual services	37,500	37,500	17,894	(19,606)
Printing and publishing	350	350	564	214
Miscellaneous	1,600	1,600	1,991	391
Total Tax Administration	42,450	42,050	22,229	(19,821)

(Continued)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
GENERAL GOVERNMENT (CONTINUED)				
Clerk:				
Salaries and wages	\$ 6,500	\$ 6,250	\$ 6,250	\$ -
Fringe benefits	1,125	1,125	1,104	(21)
Total Clerk	7,625	7,375	7,354	(21)
Board of Review:				
Fees and per diem	2,500	2,500	2,088	(412)
Printing and publishing	100	100	153	53
Total Board of Review	2,600	2,600	2,241	(359)
Treasurer:				
Salaries and wages	12,100	11,700	11,700	-
Fringe benefits	1,790	1,790	2,065	275
Total Treasurer	13,890	13,490	13,765	275
Township Office:				
Salaries and wages	34,500	23,125	25,215	2,090
Fringe benefits	3,475	3,475	4,407	932
Operating supplies	1,000	1,000	1,153	153
Postage	700	700	113	(587)
Contractual services	1,500	1,500	404	(1,096)
Miscellaneous	600	600	899	299
Capital outlay	2,500	2,500	3,414	914
Total Township Office	44,275	32,900	35,605	2,705

(Continued)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
GENERAL GOVERNMENT (CONTINUED)				
Building and Grounds:				
Salaries and wages	\$ 16,500	\$ 15,000	\$ 14,289	\$ (711)
Fringe benefits	2,740	2,740	2,353	(387)
Operating supplies	1,125	1,125	1,166	41
Contractual services	5,000	5,000	4,428	(572)
Telephone	3,900	3,900	4,197	297
Public utilities	13,800	13,800	11,873	(1,927)
Repairs and maintenance	5,000	5,000	6,162	1,162
Miscellaneous	3,400	3,400	-	(3,400)
Capital outlay	1,500	1,500	2,904	1,404
Total Building and Grounds	52,965	51,465	47,372	(4,093)
Planning and Zoning:				
Salaries and wages	4,500	4,500	7,438	2,938
Fees and per diem	9,000	9,000	7,594	(1,406)
Supplies	1,100	1,100	521	(579)
Contractual	6,000	6,000	17,072	11,072
Printing and publishing	800	800	497	(303)
Legal expense	2,500	2,500	5,556	3,056
Miscellaneous	100	100	1,544	1,444
Total Planning and Zoning	24,000	24,000	40,222	16,222
Cemetery:				
Salaries and wages	5,000	4,700	5,942	1,242
Fringe benefits	555	555	668	113
Supplies	300	300	113	(187)
Contractual services	1,000	1,000	384	(616)
Repair and maintenance	100	100	1,000	900
Capital outlay	6,600	6,600	13,287	6,687
Miscellaneous	500	500	-	(500)
Total Cemetery	14,055	13,755	21,394	7,639
TOTAL GENERAL GOVERNMENT	217,620	204,595	207,346	2,751

(Continued)

**SPAULDING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
RECREATION AND CULTURE				
Parks:				
Salaries and wages	\$ 6,200	\$ 5,400	\$ 7,251	\$ 1,851
Fringe benefits	430	430	548	118
Supplies	1,200	1,200	1,647	447
Contracted services	500	500	897	397
Repairs and maintenance	1,500	1,500	1,754	254
Capital outlay	2,500	2,500	915	(1,585)
Miscellaneous	1,300	1,300	609	(691)
TOTAL RECREATION AND CULTURE	13,630	12,830	13,621	791
PUBLIC WORKS				
Highway and streets:				
Roads	22,000	22,000	4,402	(17,598)
Drains at large	16,215	16,215	16,377	162
Street lighting	14,000	14,000	13,628	(372)
Total Highway and streets	52,215	52,215	34,407	(17,808)
SANITATION				
Refuse collection	110,000	100,000	99,767	(233)
TOTAL PUBLIC WORKS	162,215	152,215	134,174	(18,041)
DEBT SERVICE				
Principal	25,500	25,500	25,877	377
Interest	1,500	1,500	2,664	1,164
TOTAL DEBT SERVICE	27,000	27,000	28,541	1,541
TOTAL EXPENDITURES	\$ 490,765	\$ 465,040	\$ 438,330	\$ (26,710)

**SPAULDING TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2005**

	SPECIAL REVENUE FUNDS		
	FIRE FUND	HISTORICAL SOCIETY	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 38,505	\$ 6,432	\$ 44,937
Investments	-	4,000	4,000
Taxes receivable - delinquent	3,167	-	3,167
Accounts receivable	85	633	718
<u>TOTAL ASSETS</u>	<u>\$ 41,757</u>	<u>\$ 11,065</u>	<u>\$ 52,822</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES			
Accrued liabilities	\$ 588	\$ -	\$ 588
FUND EQUITY			
Fund balances:			
Unreserved:			
Designated for subsequent years' expenditures	13,525	-	13,525
Undesignated	27,644	11,065	38,709
<u>TOTAL FUND EQUITY</u>	<u>41,169</u>	<u>11,065</u>	<u>52,234</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 41,757</u>	<u>\$ 11,065</u>	<u>\$ 52,822</u>

SPAULDING TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	FIRE			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 33,000	\$ 32,900	\$ 32,758	\$ (142)
Local grant	10,000	10,000	13,121	3,121
Refunds and reimbursements	2,500	1,000	3,500	2,500
Interest	500	400	534	134
Other revenue	50	-	45	45
TOTAL REVENUES	46,050	44,300	49,958	5,658
EXPENDITURES				
Salaries and wages	4,000	3,600	3,659	59
Fees and per diem	1,500	1,500	1,500	-
Fringe benefits	780	780	900	120
Operating supplies	4,650	4,650	3,118	(1,532)
Uniforms	5,000	5,000	1,998	(3,002)
Memberships and dues	125	125	215	90
Central communication	3,000	3,000	2,235	(765)
Gas and oil	400	400	1,176	776
Insurnace	600	600	408	(192)
Repair and maintenance	5,000	5,000	5,707	707
Education and training	2,500	2,500	1,155	(1,345)
Miscellaneous	3,200	3,200	2,589	(611)
Capital outlay	43,950	43,950	25,774	(18,176)
TOTAL EXPENDITURES	74,705	74,305	50,434	(23,871)
REVENUES OVER (UNDER) EXPENDITURES	(28,655)	(30,005)	(476)	29,529
OTHER FINANCING SOURCES				
Transfer in	-	-	757	757
NET CHANGE IN FUND BALANCES	(28,655)	(30,005)	281	30,286
FUND BALANCE, BEGINNING OF YEAR	40,888	40,888	40,888	-
FUND BALANCE, END OF YEAR	\$ 12,233	\$ 10,883	\$ 41,169	\$ 30,286

SPAULDING TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2005

	TOTAL			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
REVENUES				
Taxes	\$ 33,000	\$ 32,900	\$ 32,758	\$ (142)
Local grant	10,000	10,000	13,121	3,121
Refunds and reimbursements	2,500	1,000	3,500	2,500
Interest	600	430	831	401
Other revenue	50	-	45	45
TOTAL REVENUES	46,150	44,330	50,255	5,925
EXPENDITURES				
Salaries and wages	4,000	3,600	3,659	59
Fees and per diem	1,500	1,500	1,500	-
Fringe benefits	780	780	900	120
Operating supplies	4,650	4,650	3,118	(1,532)
Uniforms	5,000	5,000	1,998	(3,002)
Memberships and dues	125	125	215	90
Central communication	3,000	3,000	2,235	(765)
Gas and oil	400	400	1,176	776
Insurnace	600	600	408	(192)
Repair and maintenance	5,000	5,000	5,707	707
Education and training	2,500	2,500	1,155	(1,345)
Miscellaneous	3,200	3,200	2,589	(611)
Capital outlay	43,950	43,950	25,774	(18,176)
TOTAL EXPENDITURES	74,705	74,305	50,434	(23,871)
REVENUES OVER (UNDER) EXPENDITURES	(28,555)	(29,975)	(179)	29,796
OTHER FINANCING SOURCES				
Transfer in	-	-	757	757
NET CHANGE IN FUND BALANCES	(28,555)	(29,975)	578	30,553
FUND BALANCE, BEGINNING OF YEAR	51,656	51,656	51,656	-
FUND BALANCE, END OF YEAR	\$ 23,101	\$ 21,681	\$ 52,234	\$ 30,553

**SPAULDING TOWNSHIP
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2005**

	AGENCY FUNDS		
	TAX COLLECTION FUND	PAYROLL IMPREST	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1	\$ 5,453	\$ 5,454
<u>LIABILITIES</u>			
LIABILITIES			
Accrued liabilities	\$ -	\$ 5,444	\$ 5,444
Due to governmental units	1	9	10
<u>TOTAL LIABILITIES</u>	\$ 1	\$ 5,453	\$ 5,454



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

May 17, 2005

Members of the Township Board
Spaulding Township
Saginaw, Michigan

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of *Spaulding Township* as of and for the year ended March 31, 2005, and have issued our report thereon dated May 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Spaulding Township's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect *Spaulding Township's* ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is as follows:

As is common with Townships of this size, there is an overall lack of segregation of duties with regard to the accounting functions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Spaulding Township's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization and the Township board and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohson". The signature is written in a cursive style with a large, looped 'L' at the beginning.